

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The City of Springfield operates under the Council-Manager form of government with the Council consisting of the Mayor and eight Council members who are elected on a nonpartisan basis. The City provides a variety of general government services to residents including law enforcement, fire protection, community development, recreation and various social services. Additionally, the City has several business-type operations which offer services associated with the regional airport, sanitary sewerage system, refuse disposal, facilities and municipal golf courses.

The financial reporting entity consists of the primary government and its component units, which are entities that the government is considered financially accountable. The determination of financial accountability includes consideration of a number of criteria, including: (1) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity, (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government, and (3) the entity's fiscal dependency on the primary government. Two types of component units are included within the government-wide financial statements:

Blended Component Unit – The following legally separate entity is a component unit, which is, in substance, a part of the City's general operations. This component unit provides services entirely, or almost entirely, to the primary government or provides services which exclusively, or almost exclusively, benefit the primary government. Data from this unit is combined with data of the primary government for financial reporting purposes.

The Public Building Corporation of the City of Springfield, Missouri (PBC) – The PBC, a not-for-profit corporation, was incorporated under the laws of the State of Missouri on October 2, 1989. The PBC was established to promote, acquire, develop, construct, and own facilities within the City of Springfield, Missouri, which are approved by the City Council for the purpose of promoting the economic, social, industrial, cultural, and commercial growth and for the general benefit of the City and its residents.

The board of directors of the corporation consists of nine persons appointed by the Mayor with the advice and consent of the City Council. Financial information for the PBC has been included within the governmental activities and governmental funds. Although it is legally separate from the City, the PBC is reported as if it were part of the primary government because its sole purpose is to finance the construction of various capital projects within the City. No separately issued financial statements are prepared for the PBC.

Discretely Presented Component Unit – The discretely presented component unit is presented separately in the government-wide financial statements to emphasize that it is legally separate from the primary government.

City Utilities of Springfield, Missouri (City Utilities) – City Utilities is a municipally owned utility controlled by the Board of Public Utilities, which is appointed by the City Council in accordance with the City Charter.

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City Council approves the rates for user charges, the annual budget plan, and bond issuance authorizations. Financial information for City Utilities is as of and for the year ended September 30, 2001. City Utilities elected to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for their proprietary operations, unless these pronouncements conflict with applicable GASB guidance or pronouncements. City Utilities is comprised of the Public Utility (including the Electric, Gas, Transportation, and Telecommunications Departments) and the Water Department which are controlled by the Board of Public Utilities.

As required in Section 16.11 of the City Charter, the City Utilities component unit follows, in all significant respects, accounting policies and procedures established for investor-owned gas and electric utilities by the Federal Energy Regulatory Commission (FERC) and for investor-owned water utilities by the National Association of Regulatory Utility Commissioners.

Complete financial statements for City Utilities are available from their general offices:

City Utilities of Springfield, Missouri
301 East Central
P. O. Box 551
Springfield, Missouri 65801-0551.

No other entities met the criteria for inclusion as component units of the City.

Joint Venture – Both the City and the City Utilities component unit (along with other participants) participate in a joint venture. The City's cumulative investment in the joint venture has been included in the capital assets of the governmental activities, while City Utilities' equity interest in the joint venture is reported within its discrete component unit presentation.

(b) Government-wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

Government-wide Financial Statements: The government-wide statements display information about the primary government and its component unit, except for fiduciary activities. For the most part, the interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are each consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides valuable information for greater analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a program or a function.

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Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meet operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: Separate fund financial statements report information on the City's governmental, proprietary, and fiduciary funds, though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development – This fund accounts for grants received from the Department of Housing and Urban Development (HUD) along with various revolving loans. The purpose of this fund is to improve neighborhoods in low to moderate income areas.

The City reports the following major proprietary funds:

Regional Airport – This fund accounts for all operations and developmental improvements relating to the Springfield-Branson Regional Airport and the Ozark Airport site.

Sanitary Sewerage System – This fund accounts for the maintenance activities of the existing collection system and capital improvements pertaining to the Southwest Treatment Plant, Northwest Treatment Plant, lift stations, and phosphorus treatment facilities.

Refuse Disposal – This fund reports the activities and capital improvements for the Landfill, the Recycling Centers, and the Yardwaste Recycling Center.

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The City reports the following fund types:

Internal Service Funds – These funds account for the costs of the Service Center Garage, the Print Shop, and the Self-Insurance Funds on a cost-reimbursement basis.

Pension Trust Funds – These funds account for monies held in trust by the City for pension benefits.

Agency Funds – These funds account for monies held on behalf of the Springfield-Greene County Library.

(c) *Assets, Liabilities, and Net Assets or Equity*

(1) *Deposits and Investments*

The City's investment policies are governed by the City Charter and management policies. City monies are deposited in FDIC-insured banks located within the state. The City is authorized to use demand and time deposits. Permissible investments include obligations of the U.S. Government, State of Missouri, City of Springfield, bonds, bills or notes guaranteed by the U.S., state or city governments, certificates of deposit, repurchase agreements, bankers acceptances, and commercial paper. The City purchases investments from SEC-registered broker-dealers and banks.

Collateral is pledged to secure the City's demand deposits and certificates of deposit. In accordance with the City Charter, collateral pledged must have a market value of at least 102% of deposits not covered by federal deposit insurance and may consist of the same type of obligations in which the City may invest. Obligations pledged to secure deposits are delivered to the bank's joint custody account at the Federal Reserve Bank. Written custodial agreements are required which provide, among other things, that collateral be held separately from the assets of the custodial bank. At least quarterly, the City determines that the fair value of collateral pledged is adequate to cover deposits.

The City also maintains the Policemen and Firemen's Retirement Fund (the Pension Trust Fund), which is managed by a board of trustees. The Pension Trust Fund's investing activities are governed by the same state laws applicable to life insurance or casualty companies. The plan agreement specifies that no more than 35% of the Pension Trust Fund's assets may be invested in common stocks, with no more than 2% invested in the common stock of any one corporation nor more than 5% in small capital stocks. Investments are reported at fair value.

The City Utilities component unit also maintains cash and investment securities, which are carried at fair value plus accrued interest. Bond ordinances permit investments only in direct obligations of the U.S. Government, such as bills, notes or bonds, and any other obligations guaranteed as to payment of principal and interest by the U.S. Government or any agency or instrumentality thereof. City Utilities is also authorized to invest in repurchase agreements, for which the underlying securities must be U.S. Treasury notes, bonds or bills. City Utilities' investment portfolio includes securities which are either insured or registered, or for which the securities are held by City Utilities' agents in City Utilities' name.

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(2) Receivables and Payables

Activity between funds that are representative of borrowing/lending arrangements outstanding at the end of the fiscal year are referred to as either "due to /due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts.

Property taxes are finalized and levied by September 1 and become delinquent after December 31 each year. The City contracts with Greene County to have its taxes billed, collected and remitted each year. A lien attaches to all property on January 1 for which taxes are unpaid. The City pays the County 2% of collections plus \$10,000 per year as a fee for this service. City property tax revenue is recognized when assessed.

The City is permitted by state statute to levy taxes up to \$1 per \$100 of assessed valuation, for general government services. Specific amounts beyond the \$1 may be voted upon by the public to support certain types of operations. The City also has authority to levy taxes, without limit, to pay the annual principal and interest on general long-term debt as required.

The tax levy, per \$100 assessed valuation, for the City during the fiscal year was as follows:

Parks department	\$	0.1800
Health department		0.1100
Art museum		0.0392
Debt service		<u>0.2700</u>
Total tax levy	\$	<u><u>0.5992</u></u>

(3) Inventories and Prepaid Items

Inventories are stated at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Materials, supplies inventories, and gas stored underground for the City Utilities component unit, are stated at average cost. Coal inventory is stated at cost using the last-in, first-out (LIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(4) Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the applicable balance sheets and statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

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(5) Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$2,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets, intersections, and storm sewers, completed in the current year has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Infrastructure assets not completed by year-end have been reported as construction in progress. Retroactive reporting of the City's major infrastructure assets extends only to the assets which were completed in the current year, in which prior year costs for such projects were included. All other retroactive reporting of infrastructure assets will occur by the year ending June 30, 2006.

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. Costs for the City Utilities component unit's utility plant additions include the cost of material, labor, vehicle and equipment usage, related overhead items, capitalized interest and administrative and general expenses.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Primary government:	
Buildings	5 to 50
Improvements other than buildings	5 to 50
Sewer plant and collection system	40
Machinery and equipment	3 to 20
Infrastructure	30 to 50
City utilities component unit:	
Electric utility plant	33
Gas utility plant	33
Transportation plant and equipment	15
Water utility plant	50
Common plant and equipment	27

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(6) Compensated Absences

All vested or accumulated vacation, scheduled holiday leave and vested accumulated sick leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(7) Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and obligations are reported in the Statements of Net Assets as liabilities in the applicable governmental and business-type categories. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(8) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designation of fund balances represent tentative plans for future use of financial resources that are subject to change.

(9) Unbilled Revenue

Both the City's Sanitary Sewerage System and the City Utilities component unit bill their customers on a cyclical basis and, therefore, record estimated unbilled revenues at year end less accounts receivable.

(10) Electric Fuel and Purchased Gas Adjustments – City Utilities Component Unit

General Ordinance No. 3243 requires City Utilities to adjust monthly customers' electric and gas bills to compensate for changes in the cost of electric fuel, purchased power and purchased gas. An over-recovery of \$205,000 for electric fuel and an over-recovery of \$1,210,000 for purchased gas adjustment clauses were recorded at September 30, 2001.

(11) Capitalization of Interest

Net interest costs related to acquisition or construction is capitalized as part of the cost of the related asset for the business type and proprietary activities of the City, and City Utilities component unit. Total interest costs incurred by the City were \$10,970,377, of which \$13,473

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was capitalized. Total interest costs incurred by the City Utilities component unit were \$6,982,000 of which \$754,000 was capitalized.

(12) Designated Improvement Account Investments – City Utilities Component Unit

City Ordinance Nos. 18672 and 18673, which established electric and gas rates effective September 20, 1979, and City Ordinance No. 3258, which established electric rates effective February 24, 1982, provided that a portion of revenues generated by such rate increases be segregated and utilized for certain specified capital projects and to develop a desired level of working capital. The rates established in City Ordinance No. 3258 were extended by City Ordinance No. 3508 to March 31, 1991. City Ordinance No. 3978, dated December 19, 1988, incorporates these rates into the base rates effective April 1, 1991. Funds accumulated are available to cover operating expenses, principal and interest payments and other requirements as established by the Public Utility Revenue Bonds, Refunding Series of 1977.

Under certain prior financing agreements, the Public Utility was required to maintain funds in the designated improvement account equal to the sum of outstanding principal or the scheduled subsequent years' principal and interest payments as specified under the agreements. New rates enacted by City Ordinance No. 4125, dated June 4, 1990, establish electric, gas and water revenue adjustment schedules. The revenues generated will contribute to the funding of major capital projects relating to Clean Air Act Amendments of 1990 requirements and natural gas transmission and supply.

Other designated funds include funds set aside for self-insurance reserves and major project funding for long-range plans. A summary of the designated improvement account, which consists of U.S. Government obligations, follows:

	<u>September 30, 2001</u>
Funds segregated under City ordinance due to rate increases	\$ 9,467,000
Other designated funds:	
Reserve funds	55,903,000
Funds held for future improvements	48,835,000
Project construction accounts	<u>30,690,000</u>
Total	<u>\$ 144,895,000</u>

(13) Interfund and Related Party Transactions

Transactions between the City's various funds are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with organizations external to City government. Certain transactions between City Utilities and the City are also treated in this manner. The operations of City Utilities for the year ended September 30, 2001 reflect payments in lieu of taxes to the City of \$9,596,000.

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In addition, City Utilities also provides services such as energy for street lighting and other electric, gas and water services without charge to the City. The cost of providing such services was approximately \$7,672,000 in 2001.

(14) Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(2) Detailed Notes on all Funds

(a) Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of deposits, repurchase agreements, and other investments with maturities of primarily less than one year. At June 30, 2002, the bank balance of the City's deposits was \$4,068,860, which was covered by federal depository insurance or by collateral held by the City's agent in the City's name. A difference exists between bank and book balances due to deposits in transit and other reconciling items.

The City Utilities component unit bank balance was \$16,591,000, which was covered by federal depository insurance or by collateral held by City Utilities' agents in City Utilities' name.

The fair value of City Utilities' investments was approximately \$218,042,000. City Utilities has securities pledged by Firststar Bank of Springfield, Missouri. These securities have a market value of at least 102% of the amount of total deposits in excess of \$100,000 in accordance with the City Charter, Section 19.13.

The City's investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered with securities held by the counterparty, or held by its trust department or agent, but not in the City's name.

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At year end, the City's investment and book balances were as follows:

	Categories			Reported amount/ fair value
	1	2	3	
U.S. Treasury securities	\$ 47,764,486	—	—	47,764,486
Federal agency obligations	97,321,455	—	—	97,321,455
Corporate bonds	29,094,445	—	—	29,094,445
Common stocks	42,241,128	—	—	42,241,128
Repurchase agreements	—	10,000,000	—	10,000,000
Total	<u>\$ 216,421,514</u>	<u>10,000,000</u>	<u>—</u>	<u>226,421,514</u>
Investments not subject to categorization:				
Temporary investments – Policemen and Firemen's Retirement System				4,906,590
Temporary investments (guaranteed investment contracts) – City				87,941,306
Book balance of cash and deposits				5,354,250
Total cash and investments				<u>\$ 324,623,660</u>

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-wide Statement Of Net Assets	Fiduciary Funds Statement Of Net Assets	Total
Pooled cash and investments	\$ 154,926,217	117,335,347	272,261,564
Restricted assets	<u>52,362,096</u>	<u>—</u>	<u>52,362,096</u>
Total	<u>\$ 207,288,313</u>	<u>117,335,347</u>	<u>324,623,660</u>

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At year end, City Utilities' investment and book balances were as follows:

	Categories			Reported amount/ fair value
	1	2	3	
U.S. Treasury securities	\$ 63,629,000	—	—	63,629,000
Federal agency obligations	137,446,000	—	—	137,446,000
Total	<u>\$ 201,075,000</u>	<u>—</u>	<u>—</u>	<u>201,075,000</u>
Investments not subject to categorization:				
Book balance of cash deposits				<u>16,967,000</u>
Total cash and investments				<u>\$ 218,042,000</u>

Escrow for bonded indebtedness – City Utilities Component Unit

In accordance with City ordinances, City Utilities' maintained \$50,916,000 in escrow for bonded indebtedness at September 30, 2001.

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(b) Capital Assets

Capital asset activity for the year ended June 30, 2002, was as follows:

Primary Government

Governmental Activities

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
Non depreciable capital assets:				
Land	\$ 6,970,756	15,617,009	—	22,587,765
Construction in progress	12,630	35,848,386	—	35,861,016
Total non depreciable capital assets	6,983,386	51,465,395	—	58,448,781
Depreciable capital assets:				
Buildings	19,455,122	11,496,512	—	30,951,634
Improvement other than buildings	11,031,797	491,310	—	11,523,107
Machinery and equipment	23,320,012	6,401,441	(1,468,242)	28,253,211
Infrastructure	29,255,733	17,982,309	—	47,238,042
Total depreciable capital assets	83,062,664	36,371,572	(1,468,242)	117,965,994
Less accumulated depreciation:				
Buildings	(9,210,531)	(591,964)	—	(9,802,495)
Improvement other than buildings	(6,049,637)	(368,148)	—	(6,417,785)
Machinery and equipment	(17,189,753)	(2,856,945)	1,187,629	(18,859,069)
Infrastructure	(2,283,724)	(1,490,955)	—	(3,774,679)
Total accumulated depreciation	(34,733,645)	(5,308,012)	1,187,629	(38,854,028)
Total depreciable capital assets, net	48,329,019	31,063,560	(280,613)	79,111,966
Total governmental activities capital assets	\$ 55,312,405	82,528,955	(280,613)	137,560,747

Depreciation expense was charged to functions as follows:

General government	\$ 595,078
Public safety	1,460,984
Public works	2,361,998
Parks and recreation	679,178
Planning and development	32,474
Public health	104,759
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	73,541
Total depreciation expense – governmental activities	\$ 5,308,012

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	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
Business-Type Activities				
Regional Airport Fund:				
Non depreciable capital assets:				
Land	\$ 5,462,000	2,470,920	(531,046)	7,401,874
Construction in progress	14,156,265	30,148,712	(15,694,238)	28,610,739
Total non depreciable capital assets	19,618,265	32,619,632	(16,225,284)	36,012,613
Depreciable capital assets:				
Buildings	17,463,788	10,206,521	—	27,670,309
Improvement other than buildings	39,267,835	698,076	—	39,965,911
Machinery and equipment	4,691,281	2,819,479	(220,870)	7,289,890
Total depreciable capital assets	61,422,904	13,724,076	(220,870)	74,926,110
Less accumulated depreciation:				
Buildings	(7,332,793)	(991,656)	—	(8,324,449)
Improvement other than buildings	(19,270,609)	(1,544,228)	—	(20,814,837)
Machinery and equipment	(2,940,582)	(469,762)	152,786	(3,257,558)
Total accumulated depreciation	(29,543,984)	(3,005,646)	152,786	(32,396,844)
Total depreciable capital assets, net	31,878,920	10,718,430	(68,084)	42,529,266
Total regional airport capital assets	51,497,185	43,338,062	(16,293,368)	78,541,879
Sanitary Sewerage System Fund:				
Non depreciable capital assets:				
Land	1,007,329	28,314	—	1,035,643
Construction in progress	15,240,412	8,289,602	(13,311,049)	10,218,965
Total non depreciable capital assets	16,247,741	8,317,916	(13,311,049)	11,254,608
Depreciable capital assets:				
Buildings	62,301,315	—	—	62,301,315
Sewer Collection System	175,124,801	16,634,603	(13,581)	191,745,823
Improvement other than buildings	9,306,494	153,379	—	9,459,873
Machinery and equipment	3,730,093	566,181	(141,055)	4,155,219
Total depreciable capital assets	250,462,703	17,354,163	(154,636)	267,662,230

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	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
Less accumulated depreciation:				
Buildings	(33,678,754)	(1,473,658)	—	(35,152,412)
Sewer Collection System	(56,018,137)	(4,599,089)	340	(60,616,886)
Improvement other than buildings	(1,239,357)	(252,744)	—	(1,492,101)
Machinery and equipment	(3,081,401)	(326,156)	133,975	(3,273,582)
Total accumulated depreciation	(94,017,649)	(6,651,647)	134,315	(100,534,981)
Total depreciable capital assets, net	156,445,054	10,702,516	(20,321)	167,127,249
Total sanitary sewerage system capital assets	172,692,795	19,020,432	(13,331,370)	178,381,857
Refuse Disposal Fund:				
Non depreciable capital assets:				
Land	1,926,532	22,376	—	1,948,908
Construction in progress	241,546	413,598	(190,147)	464,997
Total non depreciable capital assets	2,168,078	435,974	(190,147)	2,413,905
Depreciable capital assets:				
Buildings	922,576	—	(1,000)	921,576
Improvement other than buildings	9,340,392	183,845	(50,423)	9,473,814
Machinery and equipment	5,166,994	640,699	(186,538)	5,621,155
Total depreciable capital assets	15,429,962	824,544	(237,961)	16,016,545
Less accumulated depreciation:				
Buildings	(224,695)	(35,068)	1,000	(258,763)
Improvement other than buildings	(2,818,138)	(302,954)	5,042	(3,116,050)
Machinery and equipment	(3,803,630)	(450,407)	164,831	(4,089,206)
Total accumulated depreciation	(6,846,463)	(788,429)	170,873	(7,464,019)
Total depreciable capital assets, net	8,583,499	36,115	(67,088)	8,552,526
Total refuse disposal capital assets	10,751,577	472,089	(257,235)	10,966,431
Nonmajor Enterprise Fund:				
Non depreciable capital assets:				
Land	380,661	—	—	380,661
Total non depreciable capital assets	380,661	—	—	380,661
Depreciable capital assets:				
Buildings	575,225	—	—	575,225
Improvement other than buildings	7,518,243	23,157	—	7,541,400
Machinery and equipment	941,133	5,701	—	946,834
Total depreciable capital assets	9,034,601	28,858	—	9,063,459

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

	Balance June 30, 2001	Additions	Deductions	Balance June 30, 2002
Less accumulated depreciation:				
Buildings	(217,847)	(12,857)	—	(230,704)
Improvement other than buildings	(1,668,676)	(262,956)	—	(1,931,632)
Machinery and equipment	(538,753)	(121,628)	—	(660,381)
Total accumulated depreciation	(2,425,276)	(397,441)	—	(2,822,717)
Total depreciable capital assets, net	6,609,325	(368,583)	—	6,240,742
Total other enterprise capital assets	6,989,986	(368,583)	—	6,621,403
Total business-type activities capital assets	\$ 241,931,543	62,456,962	(29,876,935)	274,511,570

Depreciation expense was charged to functions as follows:

Regional airport	\$ 3,005,646
Sanitary sewerage system	6,651,647
Refuse disposal	788,429
Nonmajor enterprise funds	397,441
Total depreciation expense – business-type activities	\$ 10,843,163

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

(c) Long-Term Obligations

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2002:

	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
Governmental activities					
General obligation bonds	\$ 91,398,170	25,785,000	6,348,583	110,834,587	8,830,360
Plus bond premium	—	631,890	61,325	570,565	—
Total bonds payable	91,398,170	26,416,890	6,409,908	111,405,152	8,830,360
Notes payable	—	4,000,000	—	4,000,000	—
Capital lease obligations	—	574,525	45,163	529,362	185,810
Accrued claims and judgments	410,000	734,000	234,500	909,500	—
Accrued compensated absences	11,869,000	101,333	110,629	11,859,704	1,708,919
Total governmental activities long-term liabilities	\$ 103,677,170	31,826,748	6,800,200	128,703,718	10,725,089
Business-type activities					
Regional Airport fund:					
Revenue bonds	\$ 6,050,000	—	470,000	5,580,000	500,000
Less: deferred amount on refunding	216,921	—	40,735	176,186	—
Total revenue bonds	5,833,079	—	429,265	5,403,814	500,000
Notes payable	36,555,000	1,645,200	7,090,000	31,110,200	8,595,100
Compensated absences	410,731	52,960	3,760	459,931	58,771
Total regional airport fund	42,798,810	1,698,160	7,523,025	36,973,945	9,153,871
Sanitary sewerage system fund:					
Revenue bonds	34,425,533	—	2,962,669	31,462,864	2,327,592
Less: deferred amount on refunding	908,959	—	908,959	—	—
Total revenue bonds	33,516,574	—	2,053,710	31,462,864	2,327,592
Notes payable	16,513,038	—	1,678,566	14,834,472	1,198,700
Compensated Absences	820,914	77,098	1,413	896,599	125,151
Total sanitary sewerage system fund	50,850,526	77,098	3,733,689	47,193,935	3,651,443
Refuse Disposal fund:					
Accrued landfill closure/post closure care costs	13,537,089	793,756	—	14,330,845	—
Compensated absences	163,114	25,409	—	188,523	25,273
Accrued claims and judgments	380,000	—	350,000	30,000	—
Total refuse disposal fund	14,080,203	819,165	350,000	14,549,368	25,273
Nonmajor enterprise fund:					
Revenue bonds	3,485,765	—	281,748	3,204,017	298,048
Compensated absences	82,330	10,813	—	93,143	12,178
Total other enterprise funds	3,568,095	10,813	281,748	3,297,160	310,226
Total business-type activities long-term liabilities	\$ 111,297,634	2,605,236	11,888,462	102,014,408	13,140,813

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$107,204 of internal service funds for compensated absences are included in the above amounts.

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

Debt service requirements on long-term debt at June 30, 2002 are as follows:

Governmental activities				
	General obligation bonds		Loan payable	
	Principal	Interest	Principal	Interest
2003	\$ 8,830,360	5,683,568	—	105,753
2004	9,797,138	5,192,038	—	100,000
2005	8,350,597	4,602,278	—	100,000
2006	10,237,105	3,998,897	4,000,000	100,000
2007	9,159,153	3,481,436	—	—
2008 - 2012	24,944,120	13,107,498	—	—
2013 - 2017	17,909,647	8,050,240	—	—
2018 - 2027	14,975,150	2,988,258	—	—
2023 - 2027	5,297,719	409,283	—	—
2028 - 2030	1,333,598	—	—	—
	<u>\$ 110,834,587</u>	<u>47,513,496</u>	<u>4,000,000</u>	<u>405,753</u>

Enterprise funds				
	Regional airport			
	Revenue bonds		Loan payable	
	Principal	Interest	Principal	Interest
2003	\$ 500,000	255,438	8,595,100	1,433,664
2004	520,000	234,687	7,205,100	1,043,627
2005	545,000	212,588	4,535,000	712,663
2006	570,000	189,152	600,000	519,927
2007	600,000	164,358	445,000	496,676
2008 - 2012	2,165,000	409,252	2,150,000	2,219,067
2013 - 2017	550,000	119,850	2,745,000	1,638,088
2018 - 2019	130,000	6,630	4,835,000	628,250
	<u>\$ 5,580,000</u>	<u>1,591,955</u>	<u>31,110,200</u>	<u>8,691,962</u>

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

Sanitary Sewerage System				
		Revenue bonds		Loan payable
		Principal	Interest	Principal Interest
2003	\$	2,327,592	2,036,286	1,198,700 —
2004		2,498,515	1,876,113	1,289,500 —
2005		2,654,427	1,703,567	1,368,100 —
2006		2,833,306	1,519,512	1,457,700 —
2007		3,009,273	1,322,902	1,549,800 —
2008 - 2012		14,860,665	3,282,985	7,404,061 —
2013 - 2017		3,089,086	409,848	429,000 —
2018 - 2019		190,000	13,775	137,611 —
	\$	<u>31,462,864</u>	<u>12,164,988</u>	<u>14,834,472</u> <u>—</u>
Nonmajor funds				
		Revenue bonds		
		Principal	Interest	
2003	\$	298,048	163,380	
2004		314,348	148,832	
2005		332,975	133,130	
2006		358,589	116,007	
2007		365,575	97,629	
2008 - 2012		1,341,216	193,784	
2013 - 2015		193,266	17,516	
		<u>3,204,017</u>	<u>870,278</u>	

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

General obligation bonds payable at June 30, 2002 are comprised of the following individual issues:

3.80% to 5.90% Public Building Corporation of the City of Springfield, MO Leasehold Revenue Bonds, Series 1995, (Tennis Facility) due through November 1, 2014, callable in inverse order of maturity on or after November 1, 2005, at premiums beginning at 102% of the principal amount decreasing ratably over the term of the bonds to 100% on November 1, 2009	\$ 2,315,120
3.80% to 5.80% General Obligation Refunding Bonds, Series 1993, due through April 1, 2009, callable on or after April 1, 2001, through March 31, 2002, at par plus premium of 1% at par after April 1, 2002	3,025,000
3.40% to 6.40% Public Building Corporation of the City of Springfield, MO Leasehold Improvement Revenue Bonds, Series 1992, (Tennis Facility) due through September 1, 2007, callable in inverse order of maturity on or after September 1, 2002, at premiums beginning at 101.5% of the principal amount decreasing ratably over the term of the bonds to 100% on September 1, 2006	665,000
3.70% to 5.35% Public Building Corporation of the City of Springfield, MO Leasehold Revenue Refunding Bonds, Series 1997 (Busch Building Project) due through December 1, 2010, callable on or after December 1, 2005, at premiums beginning at 101% of the principal amount decreasing to 100% on December 1, 2006	4,510,000
3.85% to 5.0% Public Building Corporation of the City of Springfield, MO Leasehold Revenue Bonds, Series 1998 (Civic Park Recreation Project) due through June 1, 2018, callable in inverse order of maturity on or after June 1, 2008, at premiums beginning at 102% of the principal amount decreasing ratably over the term of the bonds to 100% on June 1, 2012	8,315,000
5.3% to 5.85% Public Building Corporation of the City of Springfield, MO Leasehold Revenue Bonds, Series 2000A (Jordan Valley Park Projects) due through June 1, 2021, callable in inverse order of maturity on or after June 1, 2015, at 100% of the principal amount	10,106,467
5.0% to 5.85% Public Building Corporation of the City of Springfield, MO Leasehold Revenue Bonds, Series 2000B (Recreational Ice Facility) due through June 1, 2021, callable in reverse order of maturity on or after June 1, 2015, at 100% of the principal amount	8,810,000
5.0% to 5.5% City of Springfield, Missouri, Certificates of Participation Series 2000 (City of Springfield, Missouri Law Enforcement Communication System Project) due through June 1, 2006, at 101% of the principal amount decreasing ratably over the term of the bonds to 100% on June 1, 2009	7,430,000

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

5.0% to 5.05% City of Springfield, Missouri, State Highway Improvement Corporation Transportation Revenue Bonds Series 1999 due through August 1, 2005	\$ 5,888,000
5.0% to 5.5% Public Building Corporation of the City of Springfield, Missouri, Leasehold Revenue Bonds (Stormwater/Warning System/Firestation) due through June 1, 2019, callable in inverse order of maturity on or after June 1, 2009, at 101% of the principal amount decreasing ratably over the term of the bonds to 100% on June 2, 2011	16,000,000
4.1% to 4.3% General Obligation Stormwater Improvement Bonds, Series 2001A. Not subject to optional redemption, due through May 1, 2011	3,670,000
4.1% to 5.0% General Obligation Sewer Improvement Bonds Series 2001B callable in inverse order of maturity on or after May 1, 2011, at premiums beginning at 101% of the principal amount decreasing ratably over the term of the bonds to 100% on May 1, 2013	2,905,000
4.0% to 5.0% Public Building Corporation of the City of Springfield, Missouri, Leasehold Revenue Bonds, Series 2001A, (Capital Improvement LPT Projects) due through May 1, 2016, callable in inverse order of maturity on or after May 1, 2011, at 100% of the principal amount	7,530,000
4.0% to 5.5% Public Building Corporation of the City of Springfield, Missouri, Leasehold Revenue Bonds, Series 2001 B (Capital Improvement LEST Projects) due through May 1, 2021 callable in inverse order of maturity on or after May 1, 2016, at 100% of the principal amount.	3,880,000
3.25% to 4.25% City of Springfield, Missouri, Certificates of Participation Series 2001, (Partnership Industrial Center West Project), due through September 1, 2011, callable in reverse order of maturity on or after September 1, 2007, at 100 % of the principal amount	4,080,000
1.65% to 4.0% City of Springfield, Missouri, Certificates of Participation Series 2002 (ERP System Project). Not subject to optional redemption, due through February 1, 2009.	3,315,000
1.6% to 4.75% City of Springfield, Missouri, Certificates of Participation (Springfield/Greene County Park Board Land Acquisition and Development Project), Series 2002. Not Subject to optional redemption, due through December 1, 2006.	18,390,000
Total general obligation bonds	<u>\$ 110,834,587</u>

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

Revenue bonds payable at June 30, 2002 are comprised of the following individual issues:

Regional airport fund:

3.70% to 5.10% Pubic Building Corporation of the City of Springfield,
MO Leasehold Revenue Refunding and Improvement Bonds,
Series 1998 (Springfield-Branson Regional Airport
Improvement Projects), due March 1, 2018; bonds maturing on
March 1, 2010, shall be subject to redemption beginning
March 1, 2009, at 100% in inverse order of maturity;
bonds maturing on March 1, 2018, shall be subject to redemption
beginning March 1, 2011, and on each March 1 thereafter to and
including March 1, 2018, at 100% in inverse order of maturity

\$ 5,580,000

Sanitary sewerage system fund:

3.80% to 5.90% Public Building Corporation of the City of Springfield,
MO Leasehold Revenue Bonds, Series 1995, (Sanitary Sewer
Improvements) due through November 1, 2014, callable in inverse
order of maturity on or after November 1, 2005, at premiums
beginning at 102% of the principal amount decreasing ratably
over the term of the bonds to 100% on November 1, 2009

1,360,864

6.00% to 7.00% State Environmental Improvement and Energy
Resources Authority (State of Missouri) Water Pollution Control
Revenue Bonds (State Revolving Fund Program), Series 1990A,
due through October 1, 2010

20,480,000

4.90% to 6.55% State Environmental Improvement and Energy
Resources Authority (State of Missouri) Water Pollution Control
Revenue Bonds (State Revolving Program-Multiple Participant
Series), Series 1992A, due through July 1, 2014

7,075,000

5.25% to 7.20% State Environmental Improvement and Energy
Resources Authority (State of Missouri) Water Pollution Control
Revenue Bonds (State Revolving Program-Multiple Participant
Series), Series 1994B, due through July 1, 2018

1,157,000

3.45% to 5.00 % State Environmental Improvement and Energy
Resources Authority (State of Missouri) Water Pollution Control
& Drinking Water Revenue Bonds State Revolving Fund-Master
Trust Series 1998B, due through January 1, 2022

1,390,000

Nonmajor enterprise fund:

3.80% to 5.90% Public Building Corporation of the City of
Springfield, MO Leasehold Revenue Bonds, Series 1995,
(Golf Course Improvements) due through November 1,
2014, callable in inverse order of maturity on or after
November 1, 2005, at premiums beginning at 102% of
the principal amount decreasing ratably over the term
of the bonds to 100% on November 1, 2009

3,204,017

Total revenue bonds payable

\$ 40,246,881

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

Notes payable at June 30, 2002, consisted of the following obligations:

Regional airport fund:

4.25% to 4.5% Capital Project Finance Authority fixed rate revenue bonds (Capital Projects Loan Program- AAAE Airport Projects) 2000 Series I (City of Springfield, Missouri, Loan)	\$ 28,040,000
6.28% MTFC loan for Airport improvements 2000	1,425,000
5.5% Air Springfield 2002, Incorporated Note	1,645,200

Sanitary sewerage system fund:

Non-interest bearing State of Missouri Wastewater Revolving Fund Program intergovernmental notes	14,834,472
Total notes payable	\$ 45,944,672

Capital Lease Obligations

GE Capital Public Finance, Inc., lease, interest at 4.01 %, quarterly installments through February 1, 2005; a lease to purchase 25 police vehicles for the take home program. The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2002, were as follows:

	<u>Governmental activities</u>
Year ending June 30:	
2003	\$ 204,266
2004	204,266
2005	153,200
Total minimum lease payments	561,732
Less amounts representing interest	(32,370)
Present value of minimum lease payments	\$ 529,362

In addition to the above outstanding debt, voters approved issuance of revenue bonds for a solid waste management system and sanitary sewerage system improvements in the amounts of \$17.9 and \$46 million, respectively, in elections held in February 1991 and 1990, respectively. At June 30, 2002, the revenue bonds authorized for the solid-waste management system of \$17.9 million had not yet been issued. In addition, \$1,095,000 of the total amount authorized for the sanitary sewerage system revenue bonds of \$46 million had not yet been issued.

Under current state statutes, the City's general obligation bonded debt issuances are subject to legal limitation based on total assessed value of real and personal property. General obligation debt issues are secured by the full faith and credit of the City. As of June 30, 2002, the City's net general obligation bonded debt of \$11,803,192 represents 2.1% of the legal debt limit of \$559,891,572.

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

The PBC Leasehold Revenue Bonds (Busch Building Improvement Project and Civic Park Recreation Project) and the PBC Leasehold Improvement Revenue Bonds (Tennis Facility) are payable solely from lease payments made by the City to the PBC, pursuant to lease agreements executed at the time the bonds were issued. These issues were used to finance various capital projects within the City.

At June 30, 2002, a total of \$2,326,170 was available in the Debt Service Funds for retirement of general obligation debt issues. The remainder of these obligations will be repaid from future property tax levies and other general revenue sources.

Principal and interest on the PBC Leasehold Revenue Refunding and Improvement Bonds, Series 1998 (Airport Project) are to be paid from the revenues of the Airport Fund and are recorded therein. Principal and interest on the PBC Leasehold Improvement Revenue Bonds, Series 1995 (Golf Course Improvements) are to be paid from revenues of the Golf Fund and are recorded therein. Principal and interest on the PBC Leasehold Improvement Revenue Bonds, Series 1995 (Sewer Improvements) are to be paid from revenues of the Sanitary Sewer Fund and are recorded therein. The PBC bonds are payable solely from lease payments made by the City to the PBC, pursuant to lease agreements executed at the time the bonds were issued.

The 1989 Series Sewer Improvement issue is payable, as to both principal and interest, first from interest-bearing special assessments levied and assessed against property benefited by sanitary sewer improvements financed with proceeds of the bonds and second from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City. At June 30, 2002, \$2,027,065 was available in the Debt Service Funds for retirement of these obligations.

Special assessments of \$12,061,082 have been issued since 1980 (\$1,270,490 issued during the year ended June 30, 2002), and collections have totaled 88.95% or \$10,728,627. Special assessments receivable of \$1,214,387 include delinquent accounts of \$33,684.

LCRA industrial development revenue bonds of \$10,672,157 were outstanding at June 30, 2002. The debt service on this issue is paid solely from a third party through a lease agreement; therefore, the issue does not constitute a debt of the City and, accordingly, is not included in the City's statement of net assets.

Debt Defeasance

On March 1, 1998, the City's Public Building Corporation (PBC) issued \$7,390,000 in Leasehold Revenue Refunding and Improvement Bonds for projects at the Springfield-Branson Regional Airport. These bonds provided for the defeasance of the 1990 Airport Leasehold Revenue and Improvement Bonds and the 1990 Airport Certificates of Participation. The outstanding balances on the bonds and certificates of participation were \$3,225,000 and \$715,000, respectively, as of June 30, 2002. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. Therefore, both issues are considered defeased and the liability has been removed from long-term debt in the enterprise funds.

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

On March 1, 1997, the City's Public Building Corporation (PBC) issued \$6,365,000 in Leasehold Revenue Refunding Bonds for the Busch Building Project. The bonds provided for the defeasance of the 1990 Public Building Corporation Leasehold Revenue Bonds. The outstanding balance was \$4,300,000 as of June 30, 2002. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. Therefore, the 1990 series bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets.

City Utilities Component Unit

The following is a summary of long-term obligations outstanding for the City Utilities component unit:

	Balance September 30, 2001
Public Utility Revenue Bonds, Refunding Series of 1977; 5.25% to 5.5%; due March 1, 2001 to 2007	\$ 39,290,000
Public Utility obligation under the October 5, 1992, 2000 to 2002	7,500,000
Public Utility obligation under the September 30, 1994, 2000 to 2003	10,555,000
Public Utility obligation under the November 1, 1996 financing agreement; 4.55% to 5.20%; due November 1, 2000 to 2006	5,140,000
Public Utility obligation under the November 1, 1996 master lease agreement; 5.28%; due November 1, 2000 to November 1, 2003	1,302,000
Public Utility obligation under the February 1, 2001 financing agreement; 3.75% to 4.85%; due January 1, 2002 to 2016	10,720,000
Public Utility obligation under the June 1, 2001 financing agreement; 4.4% to 5.0%; due December, 2001 to 2020	53,000,000
Total public utility	<u>127,507,000</u>
Waterworks Revenue Bonds, Series of 1971; 5.0% to 5.6%; due September 1, 2001	—
Waterworks Refunding and Improvement Revenue Bonds, Series of 1993(A); 5.00% to 7.00%; due May 1, 2003 to 2023	32,015,000
Waterworks Refunding and Improvement Revenue Bonds, Series of 1993(B); 4.75% to 5.20%; due May 1, 2001 to 2008	<u>10,215,000</u>
Total water department	42,230,000
Less unamortized debt discount	<u>(945,000)</u>
City utilities component unit	168,792,000
Less current maturities	<u>(16,021,000)</u>
Total city utilities component unit	<u>\$ 152,771,000</u>

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

The current portion of long-term debt included in the above balances for City Utilities is \$16,021,000 at September 30, 2001.

The 1971 Waterworks Revenue Bonds and the Waterworks Refunding and Improvement Revenue Bonds, Series of 1993 (A) and (B) are collateralized by the revenues of the Water Department. The Public Utility Revenue Bonds, Refunding Series of 1977 are collateralized by the revenues of the Public Utility. The Public Utility obligations under the financing agreements and the master lease agreement are subordinated to the Public Utility Revenue Bonds as to revenues.

In February 2001, the Public Utility entered into a financing agreement with Strifel Financial Corporation for development of a trunked radio system. The proceeds of the agreement were placed with Firststar Bank, the project trustee, and are reimbursed to the Public Utility as expenditures are incurred. In June 2001, the Public Utility entered into a financing agreement with Merrill Lynch for the construction of the McCartney Generating Station. Any proceeds of the agreement were placed with Commerce Bank, the project trustee, and are reimbursed to the Public Utility as expenditures are incurred.

Assets financed by the financing agreements and the master lease agreement are pledged as collateral for those agreements. Scheduled principal and interest maturities during each of the five fiscal years subsequent to September 30, 2001 and thereafter are as follows (in thousands):

	Principal			Interest		
	Total	Public Utility	Waterworks	Total	Public Utility	Waterworks
Fiscal year ending:						
2002	\$ 15,947	14,442	1,505	8,565	6,275	2,290
2003	8,126	6,556	1,570	7,713	5,498	2,215
2004	16,969	15,324	1,645	7,061	4,925	2,136
2005	7,990	6,265	1,725	6,410	4,356	2,054
2006	8,420	6,605	1,815	5,977	4,011	1,966
Thereafter	112,285	78,315	33,970	38,655	26,261	12,394
Total	\$ 169,737	127,507	42,230	74,381	51,326	23,055

The long-term obligations are redeemable at the City's option in whole or in part. Call price for the Public Utility Revenue Bonds, Refunding Series of 1977 at September 30, 2001, was 100%. The Public Utility obligation under the October 5, 1992 financing agreement is callable at par. The Public Utility obligation under the September 30, 1994 financing agreement is callable at par. The Public Utility obligation under the November 1, 1996 financing agreement is callable on November 1, 2002 through October 31, 2003, at 101%, and thereafter at par. The Public Utility obligation under the February 1, 2001 financing agreement is callable on January 1, 2011 at par. The Public Utility obligation under the June 1, 2001 financing agreement is callable on December 1, 2009 at par. The call prices for the Waterworks Refunding and Improvement Revenue Bonds, Series 1993(A) and (B), are 102% at May 1, 2003, 101% at May 1, 2004, and 100% at May 1, 2005, and thereafter.

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

On October 10, 1997, City Utilities executed a draw on its master lease agreement with GE Capital for \$712,000 with an interest rate of 5.16% and maturity on October 1, 2002. On December 29, 1997, City Utilities executed a draw on its master lease agreement for \$3,777,000 with an interest rate of 5.12% and maturity on December 29, 2002. The agreement is secured by an interest in the equipment. Future borrowings on this agreement are not permitted. City Utilities has the option to prepay without penalty any or all, principal amounts outstanding on the master lease agreement.

City Utilities' long-term debt is publicly traded infrequently; therefore, a current market price is not readily available for these bonds and leases. The fair value of long-term debt is estimated based upon market prices for similar issues or on the current rates offered for instruments of the same remaining maturities. The estimated fair value of long-term debt at September 30, 2001, for Public Utilities is \$132,878,000 and for the Water Department is \$45,850,000.

(d) *Construction Commitments*

City of Springfield

A summary of the City's commitments on uncompleted construction contracts and the amount, which is expected to be funded by federal and state grants, follows:

<u>Fund</u>	<u>Contract amount</u>	<u>Amount Funded by grants</u>
General	\$ 217,688	—
Miscellaneous	2,066,250	39
Public parks improvement	51,720	9,685
Public Works improvement	1,080,045	—
Capital improvements sales tax	6,776,892	—
Regional airport	3,351,048	—
Sanitary sewerage system	2,135,317	—
Refuse disposal	514,171	—
Storm sewer, fairgrounds, fire station projects	1,223,182	—
Total	\$ 17,416,313	9,724

Anticipated expenditures for extending and improving the Public Utility are estimated to be approximately \$86.1 million for the year ending September 30, 2002.

CITY OF SPRINGFIELD, MISSOURI

Notes to Basic Financial Statements

June 30, 2002

City Utilities Component Unit

Obligations to Purchase Electric Power and Energy

Grand River Dam Authority – City Utilities has an agreement with the Grand River Dam Authority to purchase electric power and energy over a fifteen-year period, which began July 1, 1992. Beginning July 1, 1994, and for the remainder of the contract term, City Utilities will purchase at least \$504,000 of electric power each month. This rate is subject to power cost adjustments computed every six months and is limited to a maximum annual adjustment of five percent.

Southwestern Power Administration – City Utilities has a power sales agreement with the Southwestern Power Administration (SWPA), effective through June 30, 2015. Each month, City Utilities must purchase peaking capacity of approximately \$128,000, plus transmission service. Additionally, City Utilities must purchase a minimum monthly amount of peaking energy of approximately \$14,000. The peaking rate is adjusted through a purchased power adder component. Banking energy can be transferred between SWPA and City Utilities and is recorded as a liability based on the previous twelve-month net coal generation fuel cost.

Kansas City Power and Light Company – In February 1996, City Utilities signed an agreement with Kansas City Power and Light Company to purchase 51,000 kW of electric power capacity at \$357,000 per month and associated energy at competitive rates for the 12 year period June 1, 2001 through May 31, 2013.

Obligations to Purchase Coal – On January 1, 2000, City Utilities entered into a new agreement with Consolidated Coal Company which calls for Consolidated Coal Company to supply coal for the James River Power Station through December 31, 2002. City Utilities had an obligation to purchase a minimum of \$2,335,000 and \$2,385,000 of coal for calendar years 2001 and 2002, respectively. The base prices were established using a predetermined weighted average heat value. Material variances will result in an adjustment to the base prices. As of September 30, 2001, City Utilities had purchased \$1,916,000 of coal for the contract period ending December 31, 2001.

Oxbow Carbon & Minerals, Inc. – On August 16, 2001, City Utilities entered a new contract with Oxbow Carbon & Minerals, Inc. Under the agreement, which is effective until December 31, 2002, City Utilities agreed to purchase a minimum of three trainloads per calendar year, at a price of \$24.00 per ton. As of September 30, 2001, City Utilities had purchased two trainloads and a third is scheduled to be delivered in November 2001.

Lodestar Energy, Inc. – On June 13, 2001, City Utilities entered into a new agreement with Lodestar Energy, Inc. for the purchase of coal for test burns at James River Power Station. Under this agreement, which is effective until December 31, 2001, City Utilities agreed to purchase a minimum of one trainload at \$24.00 per ton. As of September 30, 2001, City Utilities had purchased one trainload from Lodestar Energy, Inc.

Thunder Basin Coal Company – On December 31, 1997, City Utilities entered into an agreement with Thunder Basin Coal Company, L.L.C., effective through December 31, 2002. Under this agreement, which was amended October 5, 1998, obligations for the calendar years 2001 and 2002 are \$3,283,000, and \$3,315,000, respectively. This contract was assigned to Powder River Coal

CITY OF SPRINGFIELD, MISSOURI

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Company as of December 31, 1998, with no changes to the contract terms. As of September 30, 2001, City Utilities had purchased its obligation for the contract period ending December 31, 2001.

Obligations to Purchase Rail Services – City Utilities has an agreement to purchase rail services to transport coal from Consolidated Coal Company's mine in Illinois to City Utilities' James River Power Station. City Utilities agreed to tender minimum tonnages of 100,000 tons in calendar years 2000 through 2002. As of September 30, 2001, City Utilities had shipped 82,000 tons for the contract period ending December 31, 2001. City Utilities also has a separate agreement with Burlington Northern Santa Fe to purchase rail services to transport coal from Powder River Coal Company's mine in Wyoming to City Utilities' power stations. City Utilities agreed to tender a minimum tonnage of 900,000 tons in calendar year 2001. As of September 30, 2001, City Utilities had shipped 1,256,000 tons.

Burlington Northern & Santa Fe – On July 9, 2001, City Utilities entered into a new agreement with Burlington Northern & Santa Fe to transport coal from Sanborn Creek Mine and White Oak Mine. Effective until December 31, 2002, City Utilities agreed to tender a minimum total tonnage of 30,000 tons per calendar year. As of September 30, 2001, City Utilities had shipped 34,000 tons.

Obligation to Purchase Natural Gas – City Utilities has a 15-year contract with TXU Energy Services expiring on February 29, 2008, and has an annual minimum purchase obligation of 3,334,932 DTH utilizing market-sensitive pricing. City Utilities has signed agreements with Williams Gas Pipelines Central (formerly Williams Natural Gas Company) and Reliant Energy Gas Transmission Company (formerly NorAm Gas Transmission Company) for transportation and/or storage services with various terms expiring in 1 to 20 years.

(e) *Interfund Receivables, Payables, and Transfers*

The composition of interfund balances as of June 30, 2002, is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	
General Fund	Nonmajor Governmental	\$ 1,578,948
General Fund	Nonmajor Enterprise	987,991
Nonmajor Governmental	Nonmajor Enterprise	106,350
Nonmajor Governmental	Internal Service	21,466
Total		<u>\$ 2,694,755</u>

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Interfund transfers:

		Transfers to		
		General Fund	Community Development	Nonmajor Governmental
				Total
Transfers from:				
General Fund	\$	—	32,239	5,823,488
Nonmajor Governmental		331,193	—	5,944,674
Sanitary Sewerage				
System Fund		855,439	—	30,866
Refuse Disposal Fund		43,154	—	—
Regional Airport Fund		55,000	—	—
Nonmajor Enterprise		15,717	—	—
Total transfers out	\$	<u>1,300,503</u>	<u>32,239</u>	<u>11,799,028</u>
Transfer in from Trust Funds				727,739
Total transfers in			\$	<u>12,526,767</u>
				<u>13,859,509</u>

(3) Other Information

(a) Employee Retirement Systems and Plans

The City maintains The Policemen and Firemen's Retirement System (the Fund), which covers substantially all employees of the City's police and fire departments. The City also participates in the Missouri Local Government Employees Retirement System (LAGERS), a statewide local government retirement system. LAGERS covers substantially all of the City's employees (not covered under The Policemen and Firemen's Retirement Fund) and the employees of the City Utilities component unit.

(a) The Policemen and Firemen's Retirement System -

Plan Description

All of the City's policemen and firemen become members in The Policemen and Firemen's Retirement System, a single employer defined benefit pension plan, as a condition of their employment. The Plan provides retirement, disability and death benefits to plan members and beneficiaries.

A separate publicly available financial report is issued that includes financial statements and required supplementary information. The financial report may be obtained by writing to the City of Springfield, Finance Department, P.O. Box 8368, Springfield, Missouri 65801-8368 or by calling (417) 864-1625.

Summary of Significant Accounting Policies

Basis of Accounting – The Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has

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Notes to Basic Financial Statements

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made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments – Investments are valued at fair value using quoted market prices at the valuation date.

Funding Policy

The City's funding policy provides employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Operation of the Plan is governed by City ordinance and is administered by the Plan's board of trustees. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974. Members are required to contribute 10.64% of their annual salary to the Plan. The City is required to contribute the remaining amounts necessary to fund the Plan. In accordance with the contribution requirements determined by an actuarial valuation, employer contributions were 20.74% of current year covered payroll.

Annual Pension Cost

For 2002, the City's annual pension cost of \$4,493,908 was equal to the required and actual contributions. The Plan's actuarial methods and assumptions are included as supplementary information immediately following the notes to the basic financial statements.

Historical Trend Information:

	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
June 30, 2000	\$ 4,049,600	100	—
June 30, 2001	4,497,049	100	—
June 30, 2002	4,493,908	100	—

Current membership:

Retirees and beneficiaries receiving benefits	289
Terminated plan members entitled to but not yet receiving benefits	2
Active plan members	545
Total	836

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Notes to Basic Financial Statements

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(b) Missouri Local Government Employees Retirement System (LAGERS) -

Plan Description

The City of Springfield and City Utilities participate in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The Plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665 Jefferson City MO 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees began contributing 4% to the pension plan in January 2002. City Utilities' full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate. The rate for City Utilities was 21.6% for the year ended September 30, 2001. The rate for the City of Springfield was 14.6% for the year ended June 30, 2002. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2001, City Utilities' and for 2002 the City of Springfield's annual pension cost of \$9,236,000 and \$5,051,244, respectively, was equal to the required and actual contributions. The Plan's actuarial methods and assumptions are included as supplementary information immediately following the notes to the basic financial statements.

Prepaid Pension Asset

To reduce future fixed costs, City Utilities made two payments of \$18 million and \$3.4 million to LAGERS in November 1997, and September 1998, respectively. These payments reduced the past unfunded pension liability. The payments will be amortized to pension expense over 15 years. This was prudent and desirable since the funds managed by the pension administrator can be invested in a broader range of securities than those invested by City Utilities. LAGERS' investment performance had exceeded City Utilities' by an average of three percent per year over the past ten years. Giving effect to this payment in the actuarial studies that set the pension contribution rate will lower pension costs in future years, with savings currently estimated in excess of \$1.5 million per year.

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Historical Trend Information:

	City of Springfield three-year trend information		
	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
June 30, 2000	\$ 3,957,564	100	—
June 30, 2001	4,187,976	100	—
June 30, 2002	5,051,244	100	—

Historical Trend Information:

	City Utilities three-year trend information		
	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
September 30, 1999	\$ 11,106,000	100	—
September 30, 2000	8,110,000	100	—
September 30, 2001	9,236,000	100	—

(c) Other Post-Retirement Benefits

The general employees of the City are eligible to continue coverage, as prescribed by City ordinances, in the City's health care plan and to maintain their life insurance through the City upon retirement. The premiums are paid entirely by the retired employee, with no contribution or obligation to contribute by the City for either the health care or life insurance plans. The cost of retiree health care is recognized as an expenditure as claims are paid from the City's self-insurance health care fund. For the year ended June 30, 2002, the costs to the City's self-insured health care plan for retirees exceeded their premiums by approximately \$311,629. There was no cost to the City for the life insurance plan. As of June 30, 2002, there were 383 retirees participating in the health plan and 74 retirees participating in the life insurance plan.

(b) *Litigation and Contingent Liabilities – City Utilities Component Unit*

On November 21, 2001, a Greene County Circuit Court jury returned a verdict for monetary damages against City Utilities. The verdict was reached by a jury trial arising from an action for breach of contract by Journagan Construction Company against City Utilities. Journagan Construction Company constructed a 30-mile water pipeline from Stockton Lake to Springfield. The contractor claimed City Utilities unreasonably interfered with the contractor's means and methods of constructing the project, or otherwise unreasonably interfered with or hindered performance of the contract. The contractor further alleged City Utilities failed to perform its agreement for the payment of limestone excavated. The jury verdict was \$2,385,506 for breach of contract due to interference and \$2,545,550 for breach of contract for failure to pay for rock excavation.

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In addition, the jury found City Utilities had breached an implied warranty of positive representation of a material fact that the method of determining rock was accurate.

Judgment has not yet been entered by the trial court. The trial judge stated the verdicts were inconsistent and the contractor cannot recover twice for damages for breach of the contractual rock clause. City Utilities will file a motion for new trial and a motion for judgment notwithstanding the verdict. If these motions are overruled, an appeal will be taken to the Court of Appeals for the Southern District of Missouri. It is anticipated a final decision will not be made by the Appellate Court until sometime in 2003.

In the opinion of General Counsel, the amount of the jury verdict and any judgment will be substantially reduced, or totally reversed and set aside. However, the eventual size of a judgment, if any, is not determinable at this time and, therefore, a liability related to this matter has not been recorded in the financial statements of City Utilities.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City and the City Utilities component unit expect such amounts, if any, to be immaterial.

In the normal course of business, both the City and the City Utilities component unit are involved in various legal proceedings. Although the outcome of these proceedings is not presently determinable, it is the opinion of the City and City Utilities' legal counsel and management, that the resolution of these matters will not have a material adverse effect on the financial position of the City or City Utilities.

(c) *Clear Air Act Amendments of 1990 – City Utilities Component Unit*

The Clean Air Act Amendments of 1990 (the Act), signed on November 15, 1990, include requirements for reductions in sulfur dioxide and nitrogen oxides emissions for electric utilities.

On July 18, 1997, the Environmental Protection Agency (EPA) adopted revised air quality standards for ozone and fine particulate matter. The new standards could require emission reductions and significant pollution control expenses at some electric power plants. On May 14, 1999, the D. C. Circuit Court of Appeals overturned the new standards and returned them to the EPA for additional justification. EPA appealed this decision to the U. S. Supreme Court and oral arguments were heard on November 7, 2000. Until the Court issues an opinion, it is not known what effect this rule will have on any particular industry or facility. City Utilities expects the impact in Springfield will be nominal, due to favorable existing air quality. If modifications to City Utilities' operations or facilities are necessary, the cost of making emissions reductions to meet the air quality standards will be dependent upon the level of emissions reductions required and the available technology. City Utilities will continue to evaluate the impact of the regulations.

On October 27, 1998, the EPA finalized a rule requiring certain states, including Missouri, to revise state implementation plans to address the long-range transport of smog-forming emissions. City Utilities was part of a group that appealed this final rule to the Court of Appeals of the District of

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Columbia. The Court found that the EPA did not have a basis for the rule as applied to the western part of Missouri. It is unclear at this time how EPA will respond to the Court of Appeals' decision on Missouri. City Utilities supported a rule by the Missouri Department of Natural Resources, which will lower the allowable NOx limit by 30%.

The Act allows selling and trading of allowances. An "allowance" under the Act is the authorization to emit one ton of sulfur dioxide in one year. During July 2000, City Utilities sold 27,500 excess Clean Air Act Allowances, resulting in a gain of \$4.2 million, which is reported as a gain on sale of air allowances, in accordance with FASB Statement No. 71. This statement requires City Utilities to recognize this revenue on a cash basis and as a reduction of operating expenses (consistent with its treatment in setting rates). Allowances were sold from the vintage year accounts as follows: 17,500 mixed year allowances from 2000 and prior, and 2,500 each for vintage years 2001 through 2004. No excess clean Air Act allowances were sold during the fiscal year ended September 30, 2001.

(d) Closure and Postclosure Care Costs

State and federal laws and regulations require the City's sanitary landfill to place a final cover on each cell of the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that each cell of the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense of the Refuse Disposal Fund in each period, based on landfill capacity used as of each period. As of June 30, 2002, a total of \$14,330,845 is reported as landfill closure and postclosure liability on the statement of net assets. This is an increase in the liability reported as of June 30, 2001 due to revised estimates of future closure and postclosure care costs, increased usage and changes made in estimates regarding capacity of Noble Hill/cell 1.

This total represents the cumulative amount reported to date, based on the use of approximately 93.3% of the estimated capacity of Noble Hill/cell one of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$1,029,118 as the remaining capacity of cell one is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual costs may be higher, due to inflation, changes in technology, or changes in regulations. The estimated remaining life of Noble Hill/cell 1 ranges from 1.6 to 3.3 years based on average daily refuse received of 600 to 300 tons.

The City is currently under a contract of obligation with the Missouri Department of Natural Resources executed March 20, 2002 for \$14.7 million related to closure and postclosure costs for Noble Hill/cell 1 and cell 2 of the landfill. Cell 2 has not yet begun to accept refuse, thus no liability has been accrued as of June 30, 2002. Cell 2 construction was underway as of June 30, 2002 and the City anticipates receiving an "Authorization to Operate" from the Missouri Department of Natural Resources during fiscal year 2003.

The City expects that all closure and postclosure care costs, as well as future inflation costs, will be paid from available operating revenues, reserves and interest earnings on cash and short-term investments held in the Refuse Disposal Fund. However, if these resources are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable

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laws or regulations, for example), these costs may need to be recovered through charges to future landfill users.

(e) *Risk Management*

The City is exposed to various risks, such as property exposures, automobile liability, workers' compensation claims, equipment losses, general liability claims and the costs associated with an employee health plan to list a few. The City's risk financing plans consist of insurance and self-insurance for the various risks identified. For property exposures, the City purchases an all-risk insurance policy. Current property values total \$297,000,000. This property insurance presently carries a primary deductible of \$50,000. While coverage is purchased for City owned equipment, the comprehensive or collision exposure to City owned vehicles is self-insured. Neither liability claims nor property losses have exceeded the limits of coverage which comprise the City's risk financing plans.

The City established a self-insurance program for workers' compensation in fiscal year 1988 and for health insurance in fiscal year 1985. The workers' compensation plan covers all City employees, while the health plan covers retirees and all permanent City employees who work at least thirty hours per week. The Self-Insurance Fund, an internal service fund, was established to account for the premiums received from retirees and employees and the City's share of premiums for both health insurance and workers compensation. The operating funds are charged a monthly rate per employee for both health insurance coverage and workers' compensation.

The premiums are available to pay claims, claim reserves, and administrative costs of the programs. Stop-loss reinsurance coverages are maintained by the City to eliminate the risk of unlimited claim liability and minimize claim fluctuations due to catastrophic losses. Liabilities of the Self-Insurance Fund include an amount for claims that have been incurred but not reported.

Changes in the City's estimated liability for incurred but unreported claims in its Self-Insurance Fund for fiscal years 2001 and 2002 were as follows:

	Liability balance beginning of year	Current year claims changes in estimates	Claims payments	Liability balance end of year
Fiscal year ended June 30:				
2001	\$ 2,300,000	6,865,203	6,765,203	2,400,000
2002	2,400,000	9,632,767	8,732,767	3,300,000

The estimated liability for general government claims and judgments which are not expected to be liquidated with available expendable financial resources are recorded in the governmental activities column of the statement of net assets when it is probable that a loss has occurred and the amount can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, incremental costs, recent claim settlement trends (including frequency and amount of payouts) and other factors. Other nonincremental costs are not included in the basis of estimating the liability. Liabilities incurred for such losses or claims by a proprietary fund are recorded within the respective

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fund likewise when it is probable that a loss has occurred and the amount can be reasonably estimated.

(f) *Joint Ventures*

On June 28, 1993, the City Council approved a partnership agreement between the City, the City Utilities component unit, the Springfield Area Chamber of Commerce and the Springfield Business and Industrial Development Corporation to form a public/private joint venture for purposes of developing an industrial park.

Under this agreement, the City is to provide appropriate municipal improvements, such as streets, sanitary and storm sewers, and infrastructure engineering. City Utilities is responsible for utility services, such as natural gas, water, electricity and fiber optic telecommunication. In addition, City Utilities will pay for consulting services to prepare a design and overall concept plan for the industrial park, including parcel division, appropriate land use, transportation access and all related matters. The Chamber of Commerce, under terms of the agreement, will provide general marketing guidance, services and expertise. The Springfield Business and Industrial Development Corporation will be responsible for acquiring, from private sources, funds to construct a shell facility or facilities suitable for general manufacturing or industrial purposes.

The net profits or net losses of the partnership, as well as gains and losses realized upon the sale, lease, exchange or other conversion of any part or all of the real estate controlled by the partnership, are to be allocated based upon each partner's percentage of the partnership's capital accounts.

Financial accountability for the industrial park is vested in a nine-member Administrative Council. The Council consists of one City Council member appointed by the Mayor, one member from the Board of Public Utilities appointed by the Chairman of its Board, one member of the Springfield Business and Industrial Development Corporation appointed by its president, one member from the board of directors of the Springfield Area Chamber of Commerce appointed by its chairman, the City Manager of the City of Springfield or a designee selected from senior City staff, the General Manager of City Utilities or a designee selected from senior Utility staff officials, the President of the Springfield Area Chamber of Commerce or designee selected from senior Chamber staff, one member of the Greene County Commission appointed by the Presiding Commissioner, and the Chairman of the City Utilities' Citizens' Advisory Council or a designee selected from the membership of the Citizen's Advisory Council.

For the years ended June 30, 2002 and 2001, the City expended \$3,563,762 and \$162,797, respectively, toward development of the industrial park. The City had outstanding encumbrances of \$542,079 and \$174,108 at June 30, 2002 and 2001, respectively. These expenditures and encumbrances are included in the financial statements within the Public Works Improvement Fund.

As of September 30, 2001, the component unit had expended a total of \$5,927,000 for land and improvements and recognized losses of \$871,000 and received contributions of \$3,978,000 for a net equity balance of \$1,078,000.

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The partnership is in the process of developing a second industrial park on the west side of Springfield, Missouri. City Utilities' participation in the second industrial park will be in the same capacity as the first industrial park, with the exception that land acquisitions will be made by the Springfield Business and Industrial Development Corporation. As of September 30, 2001, the cost incurred for site plan consultation for the Public Utility was \$205,000, and \$5,000 for the Water Department. These amounts are reimbursable through lot sales proceeds.

Amounts expended for the industrial center are accounted for using the equity method and are recorded in other noncurrent assets. The net profits or net losses of the partnership are to be allocated based upon each partner's percentage of the partnership's capital accounts. At September 30, 2001, City Utilities had an ownership interest of 66% in the partnership.

The City received a distribution of \$3,595,986 and \$155,001 from the partnership for the years ended June 30, 2002 and 2001, respectively. The City's cumulative investment in the joint venture, net of distributions received or receivable, is included within the capital assets section. City Utilities' equity interest is reported within its discrete component unit presentation.

Separate financial statements for the partnership are prepared and distributed to each partner on a quarterly basis. Copies of the statements are available from the Partnership Industrial Center Administrative Council, 320 North Jefferson Avenue, Springfield, Missouri 65802.

(g) *Equity Interest in the Electric Power Alliance*

Negotiations were completed and funds were disbursed by City Utilities during August 2000 to join The Energy Authority (TEA), an electric power alliance. TEA serves as a power marketing corporation for its members which include MEAG Power, JEA, South Carolina Public Service Authority, Nebraska Public Power District, Gainesville Regional Utilities, and City Utilities. As a member of TEA, City Utilities benefits from the risk management strategies maintained by TEA, which seek to avoid financial losses by limiting financial exposure as a result of unexpected unit outages and volatile market prices. City Utilities also receives resource management services from TEA.

City Utilities uses the equity method of accounting in recording and reporting participation in TEA. The investment is included within its discrete component unit presentation using the equity method of accounting for investments.

In addition to the \$1.7 million investment at September 30 2001, City Utilities has committed up to an additional \$9.6 million secured by a combination of cash collateral and member guarantees.

Prior to August 2000, City Utilities had an agreement with TEA to exclusively purchase and sell short-term market energy through TEA. Under this arrangement, TEA acted as a resource manager for City Utilities. Whenever profitable, TEA would buy or sell City Utilities' electric power and energy on the spot market.

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(h) Water Storage – City Utilities Component Unit

In October 1993, City Utilities entered into a contract with the federal government to utilize 7.63% (estimated at 50,000 acre-feet) of the usable storage space at Stockton Lake. The storage space is to be used in two stages: 25,000 acre-feet initially, and an additional 25,000 acre-feet when required by future demand. Payment on the first 25,000 acre-feet of approximately \$4.8 million was made September 30, 1995. Payment on the second 25,000 acre-feet, which is estimated at \$4.6 million and is payable in annual installments over a 30-year period, begins within 30 days after the first use of the additional storage or on January 1, 2016, whichever occurs first. City Utilities has the right to prepay the balance due at any time in whole or in part. City Utilities placed in service the water supply pipeline and intake structure in June of 1996. Upon the structures becoming operational, City Utilities accessed the initial 25,000 acre-feet of storage feet and began paying a percentage of the annual operations and maintenance expense of Stockton Lake.

(i) Subsequent Events

The City issued two bonds through the Springfield Center City Development Corporation as follows:

1. On September 23, 2002, Taxable Bond Anticipation Notes (Jordon Valley Park – Baseball Stadium Project) were issued totaling \$5,000,000. The notes are due April 30, 2003. The interest rate is 2.3%.
2. On October 10, 2002, Leasehold Revenue Bonds (Jordon Valley Park – Exposition Center Project) were issued totaling \$19,375,000. The interest rate on the bonds range from 4.5 – 5.0% and the maturity date is June 1, 2027.

(j) Deficits

The accumulated deficits in nonmajor funds in the amounts of \$586,096 in the Public Parks (Special Revenue) Fund; \$281,453 in the Public Parks Improvement and \$501,222 in the Capital Lease Projects (Capital Project) Funds; \$30,309 in the Print Shop and \$2,642,124 for the Self-Insurance (Internal Service) Fund will be eliminated by future revenues or operating transfers.

(k) Works of Art

The Springfield Art Museum is a general museum of fine art. The Museum wishes to form and maintain collections of the highest possible aesthetic quality and significance, covering the entire range of the history of art. The collection consists of glass, metalwork, manuscripts, musical instruments, paintings, prints, silver, ceramics, and sculptures. In recognition of the Museum's existing collections and limited acquisition funds, acquisition of new collections generally focus on American art of all periods.

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It is assumed that all objects that become the property of the Springfield Art Museum, whether donated or purchased, are to remain in the museum's collection on a permanent basis. If an object or group of objects is sold, the monies derived from the sale shall be added to the museum's Acquisition Fund and expended in the appropriate fiscal year or deposited in the museum's Endowment Fund, to be utilized at a future date. Since the collection is not held for financial gain, but is protected and preserved, and disposed only in order to acquire other works of art, the collections are excluded from the financial statements.